

**CITY OF AKUTAN, ALASKA**

Basic Financial Statements, Required  
Supplementary Information, Additional Supplementary  
Information and Compliance Reports

Year Ended June 30, 2018

**CITY OF AKUTAN, ALASKA**

Basic Financial Statements, Required  
Supplementary Information, Additional Supplementary  
Information and Compliance Reports

Year Ended June 30, 2018

# CITY OF AKUTAN

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## **Independent Auditor's Report**

Members of the City Council  
City of Akutan  
Akutan, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Akutan's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 12 to the financial statements, in 2018 the City of Akutan adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability – Public Employees' Retirement System, and Schedule of the City's Contributions – Public Employees' Retirement System on pages 41-42 and 43-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akutan's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Major Governmental Funds: Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (where applicable) for the General Fund, Permanent Special Revenue Fund, Fuel/Gas Special Revenue Fund; Boat Harbor Capital Projects Fund, and Other Capital Projects Fund, Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance, The Schedule of Expenditures of Federal Awards and notes to schedule, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of State Financial Assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The "Additional Supplementary Information" listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 11, 2019, on our consideration of the City of Akutan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan's internal control over financial reporting and compliance.



Anchorage, Alaska  
March 11, 2019



## CITY OF AKUTAN

Statement of Net Position  
June 30, 2018

<b>Assets and Deferred Outflows of Resources</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 6,438,639	3,617	6,442,256
Receivables, net of allowance for doubtful allowance:			
Akutan Traditional Council	52,564	-	52,564
Fish taxes	349,199	-	349,199
Accounts	4,400	38,040	42,440
Grants	278,904	-	278,904
Prepaid items	15,911	-	15,911
Fuel inventory	227,204	10,249	237,453
Investment in Southwest Governments, LLC	589,821	-	589,821
Capital assets not being depreciated - land and construction in progress	2,120,629	-	2,120,629
Other capital assets, net of accumulated depreciation	10,703,509	3,309,783	14,013,292
<b>Total assets</b>	<b>20,780,780</b>	<b>3,361,689</b>	<b>24,142,469</b>
<b>Deferred outflows of resources -</b>			
Pension and OPEB deferrals	400,831	-	400,831
<b>Total assets and deferred outflows of resources</b>	<b>\$ 21,181,611</b>	<b>3,361,689</b>	<b>24,543,300</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Liabilities:</b>			
Accounts payable	248,548	6,464	255,012
Accrued payroll and benefits	38,300	2,097	40,397
Prepaid rent	7,700	-	7,700
Noncurrent liabilities:			
Due within one year - accrued leave	89,590	5,936	95,526
Due in more than one year - net pension and OPEB liability	1,932,188	-	1,932,188
<b>Total liabilities</b>	<b>2,316,326</b>	<b>14,497</b>	<b>2,330,823</b>
<b>Deferred inflows of resources -</b>			
Pension and OPEB deferrals	169,373	-	169,373
<b>Net position:</b>			
Net investment in capital assets	12,824,138	3,309,783	16,133,921
Unrestricted	5,871,774	37,409	5,909,183
<b>Total net position</b>	<b>18,695,912</b>	<b>3,347,192</b>	<b>22,043,104</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 21,181,611</b>	<b>3,361,689</b>	<b>24,543,300</b>

See accompanying notes to basic financial statements.

## CITY OF AKUTAN

Statement of Activities  
Year Ended June 30, 2018

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental:							
General government	\$ 1,337,780	15,911	36,960	-	(1,284,909)	-	(1,284,909)
Public safety	108,608	-	3,698	-	(104,910)	-	(104,910)
Community services	371,937	113,503	2,736	-	(255,698)	-	(255,698)
Public works	1,535,265	63,548	183,904	468,831	(818,982)	-	(818,982)
Port authority	786,659	2,711	765,216	1,216,646	1,197,914	-	1,197,914
Total governmental activities	<u>4,140,249</u>	<u>195,673</u>	<u>992,514</u>	<u>1,685,477</u>	<u>(1,266,585)</u>	<u>-</u>	<u>(1,266,585)</u>
Business-type activities - electric	605,505	389,146	-	-	-	(216,359)	(216,359)
Total	<u>\$ 4,745,754</u>	<u>584,819</u>	<u>992,514</u>	<u>1,685,477</u>	<u>(1,266,585)</u>	<u>(216,359)</u>	<u>(1,482,944)</u>
General revenues:							
Fish taxes				\$	1,985,328	-	1,985,328
Grants and entitlements not restricted to a specific purpose					1,598,147	-	1,598,147
Investment income					130,624	-	130,624
Other					22,605	-	22,605
Total general revenues					<u>3,736,704</u>	<u>-</u>	<u>3,736,704</u>
Change in net position					2,470,119	(216,359)	2,253,760
Net position, beginning of year, as previously stated					<u>16,445,178</u>	<u>3,563,551</u>	<u>20,008,729</u>
Cumulative effect of a change in accounting principle					<u>(219,385)</u>	<u>-</u>	<u>(219,385)</u>
Net position, beginning of year, as restated					<u>16,225,793</u>	<u>3,563,551</u>	<u>19,789,344</u>
Net position, end of year				\$	<u>18,695,912</u>	<u>3,347,192</u>	<u>22,043,104</u>

See accompanying notes to basic financial statements.

## CITY OF AKUTAN

Governmental Funds  
Balance Sheet  
June 30, 2018

Assets	Major Funds						
	Special Revenue Funds			Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	Fuel/Gas	Boat Harbor	Other Capital Projects Fund		
Cash and investments	\$ 4,580,926	1,500,935	-	10,000	28,000	318,778	6,438,639
Receivables:							
Fish taxes	349,199	-	-	-	-	-	349,199
Accounts	10,998	-	24,718	-	-	-	35,716
Grants	-	-	-	187,500	-	91,404	278,904
Other	16,044	-	-	-	-	-	16,044
Allowance for doubtful accounts	(27,360)	-	(20,000)	-	-	-	(47,360)
Prepaid items	15,911	-	-	-	-	-	15,911
Fuel inventory	90,749	-	136,455	-	-	-	227,204
Due from other funds	135,241	-	-	-	-	-	135,241
Long-term receivable - Akutan Traditional Council	52,564	-	-	-	-	-	52,564
Total assets	\$ 5,224,272	1,500,935	141,173	197,500	28,000	410,182	7,502,062
<b>Liabilities, Deferred inflows of Resources and Fund Balances (Deficit)</b>							
Liabilities:							
Accounts payable	54,663	-	5,634	187,500	84	667	248,548
Accrued payroll and benefits	37,012	-	1,288	-	-	-	38,300
Prepaid rent	7,700	-	-	-	-	-	7,700
Due to other funds	-	16,495	118,746	-	-	-	135,241
Total liabilities	99,375	16,495	125,668	187,500	84	667	429,789
Deferred inflows of resources:							
Unavailable revenue	-	-	465	-	-	-	465
Total deferred inflows of resources	-	-	465	-	-	-	465
Total liabilities and deferred inflows of resources	99,375	16,495	126,133	187,500	84	667	430,254
Fund balances (deficit):							
Nonspendable	159,224	-	136,455	-	-	-	295,679
Committed	-	1,484,440	-	10,000	27,916	409,515	1,931,871
Unassigned (deficit)	4,965,673	-	(121,415)	-	-	-	4,844,258
Total fund balances	5,124,897	1,484,440	15,040	10,000	27,916	409,515	7,071,808
Total liabilities, deferred inflows of resources and fund balances	\$ 5,224,272	1,500,935	141,173	197,500	28,000	410,182	7,502,062

## CITY OF AKUTAN

Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net position  
June 30, 2018

Total fund balances for governmental funds \$ 7,071,808

Total net position reported for governmental activities in the  
Statement of Net Position is different because:

Capital assets used in governmental activities are not current financial  
resources and therefore are not reported in the funds. These  
assets, net of accumulated depreciation consist of:

Land and improvements	\$	793,886	
Construction in progress		1,326,743	
Buildings and improvements		6,780,665	
Equipment		1,306,580	
Water and sewer lines		625,000	
Infrastructure		8,006,488	
Accumulated depreciation		<u>(6,015,224)</u>	
Total capital assets			12,824,138

The City's equity investment in Southwest Governemnts, LLC  
is not a current financial resource and is not reported in the funds. 589,821

Long-term assets are not available to pay for current period  
expenditures and therefore are deferred inflows in the funds.  
Unavailable revenue 465

Long-term liabilities, including note payable, accrued leave,  
and accrued interest are not due and payable in the  
current period and therefore are not reported as fund liabilities.

Accrued leave	(89,590)		
City's proportionate share of the collective net pension/OPEB liability - PERS	<u>(1,932,188)</u>		(2,021,778)

Deferred outflows and inflows of resources  
are the result of timing differences in the  
actuarial report:

Deferred outflows of resources - pension/OPEB deferrals	400,831		
Deferred inflows of resources - pension/OPEB deferrals	<u>(169,373)</u>		<u>231,458</u>

Total net position of governmental activities \$ 18,695,912

See accompanying notes to basic financial statements.

## CITY OF AKUTAN

Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2018

	<b>Major Funds</b>						
	<b>Special Revenue Funds</b>			<b>Capital Projects Funds</b>			
	<b>General Fund</b>	<b>Permanent</b>	<b>Fuel/Gas</b>	<b>Boat Harbor</b>	<b>Other Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues:							
Intergovernmental:							
Federal sources	\$ -	-	-	-	711,524	468,831	1,180,355
State of Alaska	1,494,002	-	-	750,000	505,122	177,409	2,926,533
Local:							
Fish taxes	1,985,328	-	-	-	-	-	1,985,328
Charges for services	118,105	-	77,283	-	-	-	195,388
Investment income	41,637	40,791	-	-	2,136	8	84,572
Other revenues	157,112	-	-	-	-	-	157,112
Total revenues	<u>3,796,184</u>	<u>40,791</u>	<u>77,283</u>	<u>750,000</u>	<u>1,218,782</u>	<u>646,248</u>	<u>6,529,288</u>
Expenditures:							
Current:							
General government	1,273,236	5,408	-	-	-	-	1,278,644
Public safety	102,153	-	-	-	-	-	102,153
Community services	91,348	-	175,652	-	-	-	267,000
Public works	315,883	-	-	800,394	-	287,304	1,403,581
Port authority	605,109	-	-	-	-	-	605,109
Capital outlay	-	-	-	-	1,229,661	468,831	1,698,492
Total expenditures	<u>2,387,729</u>	<u>5,408</u>	<u>175,652</u>	<u>800,394</u>	<u>1,229,661</u>	<u>756,135</u>	<u>5,354,979</u>
Excess (deficiency) of revenues over expenditures	1,408,455	35,383	(98,369)	(50,394)	(10,879)	(109,887)	1,174,309
Other financing sources (uses):							
Transfers in	-	-	98,369	50,394	13,015	-	161,778
Transfers out	(161,778)	-	-	-	-	-	(161,778)
Net other financing sources (uses)	<u>(161,778)</u>	<u>-</u>	<u>98,369</u>	<u>50,394</u>	<u>13,015</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,246,677	35,383	-	-	2,136	(109,887)	1,174,309
Beginning fund balances, as previously stated	<u>4,350,763</u>	<u>1,449,057</u>	<u>15,040</u>	<u>10,000</u>	<u>25,780</u>	<u>519,402</u>	<u>6,370,042</u>
Prior period adjustment	(472,543)	-	-	-	-	-	(472,543)
Fund balances, as restated	<u>3,878,220</u>	<u>1,449,057</u>	<u>15,040</u>	<u>10,000</u>	<u>25,780</u>	<u>519,402</u>	<u>5,897,499</u>
Fund balances, end of year	<u>\$ 5,124,897</u>	<u>1,484,440</u>	<u>15,040</u>	<u>10,000</u>	<u>27,916</u>	<u>409,515</u>	<u>7,071,808</u>

## CITY OF AKUTAN

Reconciliation of the Change in Fund Balances of Governmental Funds  
to Statement of Activities  
Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,174,309

The change in net position reported for governmental activities in the  
Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense.

Capital asset additions	1,713,726	
Depreciation expense	<u>(477,886)</u>	
		1,235,840

Net book value of asset dispositions (18,320)

Unrealized gains and losses associated with the City's equity investment  
in Southwest Governments, LLC are not current financial resources  
and are not reported in the funds. 46,052

Certain revenues in the statement of activities do not provide current  
financial resources and are reported as or unavailable revenue  
in the funds. The following are increases in unavailable  
revenues:

Fuel and Gas Special Revenue accounts receivables	<u>285</u>	
		285

Some expenses reported in the Statement of Activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in governmental funds:

Compensated absences, net change	(15,909)	
Change in the City's share of the unfunded net pension/OPEB liability	<u>(146,212)</u>	
		(162,121)

Changes in deferred inflows and outflows of resources are the  
results of timing differences in the actuarial report and adjustments  
to reflect the employer and non-employer contributions based on  
the measurement date of the liability

194,074

Change in net position of governmental activities \$ 2,470,119

See accompanying notes to basic financial statements.

**CITY OF AKUTAN**

Electric Enterprise Fund  
Statement of Net Position  
June 30, 2018

**Assets**

## Current assets:

Cash and cash equivalents	\$	3,617
Accounts receivable		38,040
Fuel inventory		10,249
Total current assets		<u>51,906</u>

## Noncurrent assets:

## Capital assets:

Buildings and improvements	319,116
Service lines	1,667,656
Hydro plant	2,240,736
Equipment	<u>1,232,211</u>
Total capital assets	<u>5,459,719</u>

Less accumulated depreciation	<u>(2,149,936)</u>
Capital assets, net of accumulated depreciation	<u>3,309,783</u>

Total assets	\$	<u><u>3,361,689</u></u>
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**Liabilities and Net Position**

## Current liabilities:

Accounts payable	6,464
Accrued payroll and benefits	<u>2,097</u>
Total current liabilities	<u>8,561</u>

## Non-current liabilities:

Accrued leave	<u>5,936</u>
---------------	--------------

## Net position:

Net investment in capital assets	3,309,783
Unrestricted	<u>37,409</u>
Total net position	<u>3,347,192</u>

Total liabilities and net position	\$	<u><u>3,361,689</u></u>
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See accompanying notes to basic financial statements.

## CITY OF AKUTAN

Electric Enterprise Fund  
Statement of Revenues, Expenses and  
Changes in Net Position  
Year Ended June 30, 2018

Operating revenues:	
Charges for services	\$ 294,397
City electric usage	94,749
Total operating revenues	<u>389,146</u>
Operating expenses:	
Salaries and benefits	219,641
Outside services	26,024
Parts and supplies	32,021
Travel and per diem	12,075
Insurance	4,477
Telephone	239
Fuel	74,053
Dues and fees	39
Postage	1,131
Depreciation	235,098
Miscellaneous	707
Total operating expenses	<u>605,505</u>
Change in net position	(216,359)
Net position, beginning of year	<u>3,563,551</u>
Net position, end of year	\$ <u><u>3,347,192</u></u>

See accompanying notes to basic financial statements.



## CITY OF AKUTAN

Electric Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2018

## Cash flows provided (used) by operating activities:

Receipts from customers and users	\$ 385,776
Payments to suppliers	(158,035)
Payments to employees	(224,674)
Net cash flows provided by operating activities	<u>3,067</u>

Net change in cash and cash equivalents	3,067
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Beginning cash and cash equivalents	<u>550</u>
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Ending cash and cash equivalents	<u><u>\$ 3,617</u></u>
----------------------------------	------------------------

## Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	(216,359)
-------------------------	-----------

## Adjustments to reconcile operating loss to net cash flows from operating activities:

Depreciation	235,098
--------------	---------

## (Increase) decrease in assets:

Accounts receivable	(3,370)
---------------------	---------

Fuel inventory	(5,891)
----------------	---------

## Increase (decrease) in liabilities:

Accounts payable	(1,378)
------------------	---------

Accrued payroll benefits	(2,299)
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Accrued leave	<u>(2,734)</u>
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Net cash flows (used) by operating activities	<u><u>\$ 3,067</u></u>
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See accompanying notes to basic financial statements.

# CITY OF AKUTAN

## Notes to Basic Financial Statements

June 30, 2018

### (1) Summary of Significant Accounting Policies

#### Reporting Entity

The City of Akutan (City) was incorporated in 1979 as a second class city under the laws of the State of Alaska. The City operates under a Council-Mayor form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

The financial statements included in this report are for the City of Akutan only. There are no other component units for which the City of Akutan is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City conform to generally accepted accounting principles accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, grants and entitlements not restricted to a specific purpose, investment income, and other items not properly included among program revenues are reported instead as *general revenues*.

Deferred inflows of resources are the acquisition of fund balance/net position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of fund balance/net position by the City that are applicable to a future reporting period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are presented in a single column as "other government funds".

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except grant reimbursements to be available if they are collected within 60 days after year end. Grant reimbursements are considered available if they are collected within one year after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Fish taxes, charges for services, rentals, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

Entitlements and shared revenues are recorded at the time of a receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and when revenues are considered to be available and measurable, which is considered to be within 12 months of the end of the current fiscal period.

The City reports the following major funds:

#### Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Permanent Special Revenue Fund* manages funds for operations in the event there is a fisheries decline or other community disaster.

The *Fuel/Gas Special Revenue Fund* accounts for the sale of fuel and gas to the residents of the City of Akutan.

The *Boat Harbor Capital Projects Fund* accounts for activities related to construction and improvements of the boat harbor.

The *Other Capital Projects Fund* accounts for activities related to construction and improvements of the dock and various other projects.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

Major proprietary fund –

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

Additionally, the City reports the following fund types:

- Special Revenue Funds – accounts for revenue sources that are legally restricted or committed to expenditures for specific purposes.
- Capital Project Funds – accounts for the acquisition of the capital assets or construction of major capital projects not being financed by proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise fund and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue recognition of capital contributions are based on the requirements of the Governmental Accounting Standards Boards Certification N50 Non-exchange transactions.

#### Estimates

In preparing the financial statements, management of the City is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenditures/expenses for the period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The City follows Governmental Accounting Standards Boards Certification P80. This statement established standards for reporting cash flows of Proprietary Funds. For purposes of the statement of cash flows, the enterprise fund considers all equity in central treasury to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

#### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The prepaid assets do not reflect current available resources and, thus, an equivalent portion of fund balance is classified as nonspendable in the fund financial statements.

#### Inventory

Inventories are valued at cost (first-in, first-out). Inventory consists of fuel held for resale and/or consumption by City departments. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. Reported inventories are equally offset by a portion of fund balance classified as nonspendable in the fund financial statements which indicates that these do not constitute "available spendable resources" even though they are a component of net current assets.

#### Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All account receivables are reported net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

#### Accrued Leave

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Infrastructure (dock, floats, etc.)	50 years
System infrastructure	20-50 years
Machinery and equipment	5-20 years

#### Unavailable Revenue

Resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered to be available.

#### Pensions

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

#### Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form — long-term receivables, prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Such constraint is binding until legal or contractual requirement is repealed or the amount becomes spendable.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

*Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager reports to the Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

#### Net Position

Government-wide net position is divided into three components:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

#### Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

#### Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

#### Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund and most Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. The Capital Project funds adopt project-length budgets.

Supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including amendments made during the year.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The Administrator must submit to the City Council by May 1 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City Council to provide an opportunity for public comment.
- c. By June 15, by City Council action, the budget is legally enacted through passage of an ordinance. If the City Council fails to pass an ordinance, the budget submitted by the Administrator becomes the adopted budget.



## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

In order to demonstrate budgetary compliance, accounting principles in the United States require that management provide certain budgetary comparison schedules for the General Fund and each major special revenue fund with an annually adopted budget. For fiscal year 2018, The City adopted a project length budget for the Permanent Special Revenue Fund, Boat Harbor, and Akutan Dock Improvement Capital Projects Funds. Therefore the budgetary schedule has not been presented with the required supplementary information.

#### (2) **Cash and Investments**

The City's cash and investment are comprised of the following at June 30, 2018:

Demand and money market accounts	\$ 4,969,009
Investments	<u>1,473,247</u>
	<u>\$ 6,442,256</u>

Except for the Permanent Special Revenue Funds, and Boat Harbor, Akutan Dock Improvements, and Other Capital Projects Capital Project Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative" cash, is included in "due to other funds." The City's cash is held in the form of demand accounts including checking, savings, and money market accounts held by commercial banks and money market funds in investment accounts as follows:

Money market funds	\$ 4,337,868
Bank deposits at carrying value	529,698
Certificates of deposit	100,926
Petty cash	<u>517</u>
Total	<u>\$ 4,969,009</u>

#### *Custodial Credit Risk*

Deposits - the risk that, in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements although one of the City's current banking arrangements does not include collateralization and was uninsured to the extent of approximately \$353,283 at June 30, 2018.

Investments – the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### *Investment policy*

The City's investment policy authorizes investments in:

1. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this City, of other cities of the State, and of boroughs of this State;
2. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
3. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held over night;
4. Investments through the Alaska Municipal League Investment Pool (AMLIP); and
5. Domestic, international, and real estate equities.

*Interest rate risk* - is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at June 30, 2018 are as follows:

	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	More Than 5
Investment Type				
Equities	\$ 59,459	59,459	-	-
Mutual Funds:				
Large Cap Blend	160,055	160,055	-	-
Large Cap Value	57,984	57,984	-	-
International	178,070	178,070	-	-
Fixed Income:				
Corporate Bonds	467,601	49,884	296,015	121,702
Government Mortgage Backed Securities	10,686	-	-	10,686
U.S Government Agency	98,147	-	24,441	73,706
U.S. Treasury Notes	441,245	99,377	236,358	105,510
Total investments	\$ 1,473,247	604,829	556,814	311,604

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Equities	\$ 59,459	59,459	-	-
Mutual Funds	396,109	396,109		
Corporate Bonds	467,601	-	467,601	-
Mortgage Bonds	10,686	-	10,686	-
U.S. Government Agency	98,147	-	98,147	-
U.S. Treasury Notes	441,245	-	441,245	-
Total Investments	\$ 1,473,247	455,568	1,017,679	-

*Credit risk* - is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in mutual funds of \$396,109 and Government Mortgage Backed Securities of \$10,686 were not rated. The City's investments in Corporate Bonds of \$467,601 were rated as follows by Standard and Poor's: \$49,884 AA-, \$72,068 A, \$197,648 A-, \$99,129 BBB+, and \$48,872 BBB-. The City's investments in U.S. Government Agencies of \$98,147 were rated AA+.

### *Concentration of Credit Risk*

The City places no limit on the amount that the City can invest in any one issue. At June 30, 2018, more than 5% of the City's investments were held in securities of the issuer listed below:

Type of Investments	Amount	Of Investment
SPDR S&P 500 ETF Trust	\$ 160,055	10.9%
iShares Core MSCI EAFE ETF	\$ 178,070	12.9%

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAA for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

### (3) Investment in Southwest Governments, LLC

The City has purchased a 40 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the equity method. The City's balance in this investment at June 30, 2018 is \$589,821

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### (4) Accounts Receivable and Valuation Allowance

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2018, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

Governmental Funds				
	General Fund	Fuel/Gas Special Revenue Fund	Boat Harbor Capital Projects Fund	
Receivables:				
Fish taxes	\$ 349,199	-	-	
Customers	10,998	24,718	-	
Grants	-	-	187,500	
Notes receivable	52,564	-	-	
Other	16,044	-	-	
Gross receivables	428,805	24,718	187,500	
Less: allowance for uncollectibles	(27,360)	(20,000)	-	
Net receivables	\$ 401,445	4,718	187,500	

Governmental Funds, continued				
	Other Capital Projects Funds	Total Governmental Funds	Electric Enterprise Fund	Total
Receivables:				
Fish taxes	\$ -	349,199	-	349,199
Customers	-	35,716	38,040	73,756
Grants	91,404	278,904	-	278,904
Notes receivable	-	52,564	-	52,564
Other	-	16,044	-	16,044
Gross receivables	91,404	732,427	38,040	770,467
Less: allowance for uncollectibles	-	(47,360)	-	(47,360)
Net receivables	\$ 91,404	685,067	38,040	723,107

The City reports deferred inflows of resources for unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For the year ended June 30, 2018, total unavailable revenues amounted to \$465.

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### (5) Long-Term Receivable

In August 2010, the City signed an agreement with Akutan Traditional Council to loan \$100,400 to the Council for construction of six homes. The Council makes payments as funds are available. The long-term receivable at June 30, 2018 was \$52,564.

### (6) Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
<b><u>Governmental activities</u></b>				
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 793,886	-	-	793,886
Construction in progress	<u>1,304,105</u>	<u>1,713,726</u>	<u>1,691,088</u>	<u>1,326,743</u>
Total capital assets not being depreciated	<u>2,097,991</u>	<u>1,713,726</u>	<u>1,691,088</u>	<u>2,120,629</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,780,665	-	-	6,780,665
Equipment	1,168,922	137,658	-	1,306,580
Water and sewer lines	625,000	-	-	625,000
Infrastructure	<u>6,471,378</u>	<u>1,535,110</u>	<u>-</u>	<u>8,006,488</u>
Total capital assets being depreciated	<u>15,045,965</u>	<u>1,672,768</u>	<u>-</u>	<u>16,718,733</u>
Less accumulated depreciation for:				
Buildings and improvements	1,730,205	164,822	-	1,895,027
Equipment	598,291	84,486	-	682,777
Water and sewer lines	410,000	12,500	-	422,500
Infrastructure	<u>2,798,842</u>	<u>216,078</u>	<u>-</u>	<u>3,014,920</u>
Total accumulated depreciation	<u>5,537,338</u>	<u>477,886</u>	<u>-</u>	<u>6,015,224</u>
Total capital assets being depreciated, net	<u>9,508,627</u>	<u>1,194,882</u>	<u>-</u>	<u>10,703,509</u>
Governmental activity capital assets, net	\$ <u>11,606,618</u>	<u>2,908,608</u>	<u>(1,691,088)</u>	<u>12,824,138</u>

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
<b><u>Business-type activities</u></b>				
<i>Capital assets:</i>				
Buildings and improvements	\$ 319,116	-	-	319,116
Service lines	1,667,656	-	-	1,667,656
Hydro plant	2,240,736	-	-	2,240,736
Equipment	<u>1,232,211</u>	<u>-</u>	<u>-</u>	<u>1,232,211</u>
Total capital assets	<u>5,459,719</u>	<u>-</u>	<u>-</u>	<u>5,459,719</u>
 Less accumulated depreciation for:				
Buildings and improvements	167,812	12,594	-	180,406
Service lines	648,966	53,611	-	702,577
Infrastructure	580,210	89,846	-	670,056
Equipment	<u>517,850</u>	<u>79,047</u>	<u>-</u>	<u>596,897</u>
Total accumulated depreciation	<u>1,914,838</u>	<u>235,098</u>	<u>-</u>	<u>2,149,936</u>
 Business-type activity capital assets, net	 \$ <u>3,544,881</u>	 ( <u>235,098</u> )	 <u>-</u>	 <u>3,309,783</u>

Depreciation expense was charged to the functions as follows:

### **Governmental activities**

General government	\$ 49,054
Public safety	7,196
Community services	105,657
Public works	131,153
Port authority	<u>184,826</u>
Total governmental activities	\$ <u>477,886</u>

### **Business-type activities**

Electric utility	\$ <u>235,098</u>
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# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### (7) Interfund Receivables, Payables, and Transfers

#### (a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major governmental funds:		
General Fund	Permanent Special Revenue Fund	\$ 16,495
General Fund	Fuel/Gas Revenue Fund	118,746
		<u>\$ 135,241</u>

#### (b) Transfers:

From General Fund to:

Dock Improvement Capital Project Fund for local matching	\$ 13,015
Boat Harbor Capital Project Fund for local matching	50,394
Fuel/Gas Special Revenue Fund	<u>98,369</u>
Total transfers	<u>\$ 161,778</u>

### (8) Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2018:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2018</u>	Due Within <u>One Year</u>
<b><u>Governmental activities</u></b>					
Accrued leave (net of payouts)	<u>73,681</u>	<u>89,590</u>	<u>(73,681)</u>	<u>89,590</u>	<u>89,590</u>
<b><u>Business-type activities</u></b>					
Accrued leave (net of payouts)	\$ <u>8,670</u>	<u>5,936</u>	<u>(8,670)</u>	<u>5,936</u>	<u>5,936</u>

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### (9) Fund Balances

Fund balances, reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Permanent Special Revenue Fund	Fuel/Gas Special Revenue Fund	Boat Harbor Capital Projects Fund	Other Capital Projects Fund	Other Governmental Funds	Totals
Nonspendable:							
Inventory	\$ 90,749	-	136,455	-	-	-	227,204
Prepaid items	15,911	-	-	-	-	-	15,911
Long-term receivables	52,564	-	-	-	-	-	52,564
Total nonspendable	\$ 159,224	-	136,455	-	-	-	295,679
Committed:							
Permanent Fund	\$ -	1,484,440	-	-	-	-	1,484,440
Geothermal Development	-	-	-	-	-	287,808	287,808
Duplex Construction	-	-	-	-	-	24,812	24,812
Water and Sewer Projects	-	-	-	-	-	96,895	96,895
Boat Harbor Projects	-	-	-	10,000	-	-	10,000
Akutan Dock Improvement							
Capital Projects	-	-	-	-	27,916	-	27,916
Total committed	-	1,484,440	-	10,000	27,916	409,515	1,931,871
Unassigned (deficit)	4,965,673	-	(121,415)	-	-	-	4,844,258
Total fund balances	\$ 5,124,897	1,484,440	15,040	10,000	27,916	409,515	7,071,808

### (10) Landfill Closure and Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. However, at this time, the study to estimate the ultimate cost of closure and postclosure monitoring has not been completed. As a result, there is no accrual to provide for these costs in the financial statements.



## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### (11) Employee Retirement Systems and Plans

The City of Akutan follows *Governmental Accounting Standards Board (GASB) Codification P20*, Accounting for Pensions by State and Local Governmental Employees and *GASB Codification P50*, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City of Akutan participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan PERS also administer other post-employment benefit (OPEB) plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

*Summary of Significant Accounting Policies.* The financial statements for PERS is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City of Akutan's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agency for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB)	
Healthcare Reimbursement Arrangement Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Occupational Death and Disability Plan	Cost-sharing, Defined Contribution OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Contribution OPEB
Retiree Medical Plan	Cost-sharing, Defined Contribution OPEB

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

### Other Postemployment Benefit Plans (OPEB)

#### *Occupational Death and Disability Plan (ODD)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Membership in the plan consisted of the following at June 30, 2017 (latest available report):

Membership	PERS
Active plan members	19,442
Participating employers	155

#### *Alaska Retiree Healthcare Trust Plan (ARHCT)*

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). Membership in the plan consisted of the following at June 30, 2017 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not yet receiving benefits	5,799
Active plan members	14,956
Total plan membership	55,065

#### *Retiree Medical Plan (RMP)*

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	831
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### *Healthcare Reimbursement Arrangement Plan*

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	829
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

#### **Investments**

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board's fiduciary responsibility.

#### **Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense for the year ended June 30, 2017 (latest available report) for the DB Plan for PERS is 12.99%, for the ARHCT is 12.69%, for the Occupational Death and Disability Plan is 11.97%, and for the Retiree Medical Plan is 11.93%.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

#### **Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)**

*Plan Description.* The City of Akutan participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

*Pension Benefits.* All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2017 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not receiving benefits	5,799
Active plan members	<u>14,956</u>
Total DB plan membership	<u>55,065</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

*Post Retirement Pension Adjustments.* Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded “on-behalf” contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

*Salary Floor.* During the 25<sup>th</sup> legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

*Termination Costs.* If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2018 the past service rate is 15.28%.

*Employee Contribution Rate.* The City of Akutan PERS active members are required to contribute 6.75% (5.25% pension costs and 1.50% OPEB) and if elected, City employees are required to contribute 9.60% (7.47% pension and 2.13% OPEB) of their annual covered salary.

*Employer and Other Contribution Rates.* There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

*Employer Effective Rate:* This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (17.12% pension costs and 4.88% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

**ARM Board Adopted Rate:** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 25.01% (19.46% pension and 5.55% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

**On-behalf Contribution Rate:** This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2018 is 3.01% (75.54% pension and 24.46% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

**GASB Rate:** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate.

Employer contributions for the year ended June 30, 2018, were:

Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$ 113,042	31,934	144,976

### Public Employees Retirement Plans

For the year ended June 30, 2018 the State of Alaska contributed \$22,935 (75.54% pension cost) and \$7,427 (24.46% OPEB cost) on-behalf of the City of Akutan, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2017 to a total of \$65,105, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

**Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB:** At June 30, 2018, the City of Akutan reported liabilities that reflected a reduction for State pension and OPEB support provided to the City of Akutan. The amount recognized by the City of Akutan as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City of Akutan were as follows:

Defined Benefit:	
City's proportionate share of the net pension liability	\$ 1,668,186
State's proportionate share of the net pension liability	620,432
Total	\$ 2,288,618

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

	OPEB
City's proportionate share of the ARHCT OPEB liability	\$ 272,373
State's proportionate share of the ARHCT OPEB liability	100,940
Total	<u>\$ 373,313</u>
Defined Contribution:	
City's proportionate share of the ODD OPEB liability	\$ (13,235)
City's proportionate share of the RMP OPEB liability	4,864
Total	<u>\$ (8,371)</u>
Total City's share of net pension and OPEB liabilities	<u>\$ 1,932,188</u>

The net pension and OPEB liabilities were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. City of Akutan's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2019 through FY2039, as determined by projections based on the June 30, 2017 valuation. At June 30, 2018, the City of Akutan's proportion of the pension liability was 0.0323%, which is an increase of 0.0057% from June 30, 2017. At June 30, 2018, the City's proportion of the OPEB ARHCT, ODD and RMP OPEB liabilities were 0.0322%, 0.0933%, and 0.0933%, respectively, which represent an increase of 0.0057%, 0.0436%, and 0.0436%, respectively, from June 30, 2017.

Based on the measurement date of June 30, 2017, the City of Akutan recognized pension and OPEB expense of \$64,139 and \$131,605 for the year ended June 30, 2018. At June 30, 2018, the City of Akutan reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	29,992
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	-	-
	44,747	-
Changes in proportion and differences between City contributions and proportionate share of contributions	139,852	30,520
City contributions subsequent to the measurement date	113,042	-
Total	<u>\$ 297,641</u>	<u>60,512</u>

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

OPEB ARHCT		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	14,688
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	85,295
Changes in proportion and differences between City contributions and proportionate share of contributions	61,094	-
City contributions subsequent to the measurement date	31,934	-
Total	<u>\$ 93,028</u>	<u>99,983</u>

OPEB ODD		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Contribution:		
Differences between expected and actual experience	\$ -	390
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	827
Changes in proportion and differences between City contributions and proportionate share of contributions	-	5,259
City contributions subsequent to the measurement date	885	-
Total	<u>\$ 885</u>	<u>6,476</u>

OPEB RMP		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	38
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,364
Changes in proportion and differences between City contributions and proportionate share of contributions	3,577	-
City contributions subsequent to the measurement date	5,700	-
Total	<u>\$ 9,277</u>	<u>2,402</u>



# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

\$113,042 and \$38,519 are reported as deferred outflows of resources related to pension and OPEB resulting from City of Akutan contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,		Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2018	\$	82,462	4,458	(904)	(154)
2019		46,595	(699)	(904)	(154)
2020		20,917	(21,324)	(904)	(154)
2021		(25,887)	(21,324)	(904)	(154)
2022		-	-	(697)	437
Thereafter		-	-	(2,163)	1,354
Total	\$	<u>124,087</u>	<u>(38,889)</u>	<u>(6,476)</u>	<u>1,175</u>

For the year ended June 30, 2018, the City recognized \$(117,512) and \$33,734 of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

*Actuarial Assumptions:* The total pension and OPEB liabilities in the June 30, 2017 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. These assumptions were the result of an experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience, 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 Medical: 5.8% grading down to 4.0% Prescription drugs: 5.4% grading down to 4.0%

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity	8.83%
Global Ex- U.S. Equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real Assets	4.94%
Absolute Return	4.76%
Private Equity	12.02%
Cash Equivalents	0.63%

# CITY OF AKUTAN

## Notes to Basic Financial Statements, Continued

**Discount Rate:** The discount rate used to measure the total pension and OPEB liabilities is 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension and OPEB plans fiduciary net pension and OPEB were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

**Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate:** The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		<b>1% Decrease (7%)</b>	<b>Current Rate (8%)</b>	<b>1% Increase (9%)</b>
Net pension liability	\$	<b>2,191,317</b>	<b>1,668,186</b>	<b>1,226,423</b>
Net OPEB ARHCT liability	\$	<b>582,907</b>	<b>272,373</b>	<b>11,171</b>
Net OPEB ODD liability	\$	<b>(11,948)</b>	<b>(13,235)</b>	<b>(14,287)</b>
Net OPEB RMP liability	\$	<b>22,789</b>	<b>4,864</b>	<b>(9,132)</b>

**Sensitivity of the City of Akutan's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.** The following present the City of Akutan's proportionate share of the net OPEB liability, as well as what the City of Akutan's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB ARHCT liability	\$	<b>(30,214)</b>	<b>272,373</b>	<b>636,154</b>
Net OPEB ODD liability		<b>N/A</b>	<b>(13,235)</b>	<b>N/A</b>
Net OPEB RMP liability		<b>(12,041)</b>	<b>4,864</b>	<b>(27,515)</b>

### Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

**Plan Description and Funding Requirements.** City of Akutan and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.03% for the retiree medical plan (DB), 0.16% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%.

Currently there are 155 employers participating in the defined contribution plan, including the State of Alaska. At June 30, 2017 (latest available report), membership in the DC plan consisted of 1,735 peace officers and firefighters and 19,532 of other members.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

The City contributed \$60,293 for the year ended June 30, 2018.

#### (12) **Change in Accounting Principle**

As discussed in Note 11 to the financial statements, the City of Akutan participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City of Akutan adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City of Akutan to recognize its proportional share of the net other postemployment benefit (OPEB) plans liability (and related deferred inflow/outflow accounts), as of the beginning of the City of Akutan's fiscal year. As a result of the implementation of these statements, the City of Akutan has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Net position, beginning of year, as originally presented	\$	16,445,178
Change in accounting principle adjustment		<u>(219,385)</u>
Net position, beginning of year, as restated	\$	<u>16,225,793</u>

#### (13) **Prior Period Restatement**

During the audit, the determination was made that City's investment in Southwest Governments, LLC, accounted for using the equity method, did not meet the criteria established in GASB Statement 62 for reporting in the fund financial statements. As a result of this determination, the City of Akutan has recorded an opening balance adjustment to decrease investments, unavailable revenues, and fund balance as of the beginning of the fiscal year in the General Fund.

General Fund:

Fund balance, beginning of year, as originally presented	\$	4,350,763
Prior period adjustment		<u>(472,543)</u>
Fund balance, beginning of year, as restated	\$	<u>3,878,220</u>

#### (14) **Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability.

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

## CITY OF AKUTAN

### Notes to Basic Financial Statements, Continued

#### (15) Subsequent Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 83 *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.
- GASB 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for fiscal years beginning after June 15, 2018.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2019.
- GASB 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. Effective for fiscal years beginning after December 15, 2018.

Statements 83, and 84 are not expected to have any significant impact on the financial statements of the City of Akutan.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

#### (16) Subsequent Event

The City received notice on June 18, 2018, from the State of Alaska, Department of Administration, Division of Retirement and Benefits that forfeitures from the defined contribution plan for the Public Employees' Retirement System (PERS) can be offset against future contributions effective July 1, 2018. The City has \$13,634 in PERS to be used against future contributions.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF AKUTAN

## General Fund

Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Original and Final Budget and Actual  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Budget - Positive (Negative)
Revenues:				
Intergovernmental -				
State of Alaska	\$ 1,067,000	1,205,943	1,494,002	288,059
Local:				
Fish taxes	1,800,000	1,800,000	1,985,328	185,328
Investment income	30,000	30,000	41,637	11,637
Charges for services	89,000	99,512	118,105	18,593
Other revenues	38,500	137,833	157,112	19,279
Total revenues	3,024,500	3,273,288	3,796,184	522,896
Expenditures:				
Current:				
General government	1,363,525	1,413,557	1,273,236	140,321
Public safety	99,100	99,100	102,153	(3,053)
Community services	175,650	100,650	91,348	9,302
Public works	459,075	484,043	315,883	168,160
Port authority	627,411	751,918	605,109	146,809
Total expenditures	2,724,761	2,849,268	2,387,729	461,539
Excess of revenues over expenditures	299,739	424,020	1,408,455	984,435
Other financing sources (uses):				
Transfers out	(939,010)	(700,000)	(161,778)	538,222
Net change in fund balance	\$ (639,271)	(275,980)	1,246,677	1,522,657
Beginning fund balance, as previously stated			4,350,763	
Prior period adjustment			(472,543)	
Beginning fund balance, as restated			3,878,220	
Ending fund balance			\$ 5,124,897	

## CITY OF AKUTAN

Fuel/Gas Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Original and Final Budget and Actual  
 Year Ended June 30, 2018

	<b>Original Budgeted Amount</b>	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Revenues:				
Local sources - charges for services	\$ 170,000	190,000	77,283	(112,717)
Expenditures:				
Current:				
Community services	446,000	190,000	175,652	14,348
Excess (deficiency) of revenues over expenditures	(276,000)	-	(98,369)	(98,369)
Other financing sources:				
Transfer in	276,000	-	98,369	98,369
Net change in fund balance	\$ -	-	-	-
Beginning fund balance			15,040	
Ending fund balance			\$ 15,040	



## CITY OF AKUTAN

## Schedule of the City's Proportionate Share of the Net Pension Liability

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0189%	\$ 882,277	\$ 664,805	\$ 1,547,082	\$ 721,914	122%	62.37%
2016	0.0403%	\$ 1,952,237	\$ 524,021	\$ 2,476,258	\$ 675,036	289%	63.96%
2017	0.0266%	\$ 1,483,815	\$ 185,032	\$ 1,668,847	\$ 855,668	173%	59.55%
2018	0.0323%	\$ 1,668,186	\$ 620,432	\$ 2,288,618	\$ 1,359,055	123%	63.37%

**Notes to Schedule:**

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## CITY OF AKUTAN

## Schedule of the City's Proportionate Share of the Net OPEB Liability

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>							
2018	0.0322%	\$ 272,373	\$ 100,940	\$ 373,313	\$ 1,359,055	20.04%	89.68%
<b>Occupational Death and Disability (ODD):</b>							
2018	0.0933%	\$ (13,235)	\$ -	\$ (13,235)	\$ 1,005,250	-1.32%	212.97%
<b>Retiree Medical Plan (RMP):</b>							
2018	0.0933%	\$ 4,864	\$ -	\$ 4,864	\$ 1,005,250	0.48%	93.98%

**Notes to Schedule:**

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## CITY OF AKUTAN

## Schedule of the City's Contributions (Pensions)

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 64,269	\$ (64,269)	\$ -	\$ 675,036	9.52%
2016	\$ 82,184	\$ (82,184)	\$ -	\$ 855,668	9.60%
2017	\$ 121,739	\$ (121,739)	\$ -	\$ 1,359,055	8.96%
2018	\$ 113,042	\$ (113,042)	\$ -	\$ 861,709	13.12%

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.
- In fiscal year 2018 the City included pension DBUL into the contractually required contribution. This will be a prospective change.

## CITY OF AKUTAN

## Schedule of the City's Contributions (OPEB)

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>					
2018	\$ 31,934	\$ (31,934)	\$ -	\$ 861,709	3.71%
<b>Occupational Death and Disability (ODD):</b>					
2018	\$ 885	\$ (885)	\$ -	\$ 558,368	0.16%
<b>Retiree Medical Plan (RMP):</b>					
2018	\$ 5,700	\$ (5,700)	\$ -	\$ 558,368	1.02%

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**

## CITY OF AKUTAN

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
Year Ended June 30, 2018

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Revenues:			
Intergovernmental:			
State of Alaska:			
Fisheries business tax sharing	\$ 943,814	1,358,949	415,135
Shared fisheries business and landing tax	173,049	4,916	(168,133)
Revenue sharing	89,080	99,775	10,695
PERS relief	-	30,362	30,362
Total State of Alaska	1,205,943	1,494,002	288,059
Local:			
Fish taxes	1,800,000	1,985,328	185,328
Investment income	30,000	41,637	11,637
Charges for services:			
Apartment rental	24,101	34,485	10,384
IHS clinic lease	27,895	31,810	3,915
Trident lease	15,911	15,911	-
Skiff moorage	5,000	2,711	(2,289)
Cable fees	21,605	29,063	7,458
Surf inn sales	5,000	4,125	(875)
Total charges for services	99,512	118,105	18,593
Other revenues:			
Warehouse rental	1,500	4,200	2,700
APICDA community support	133,333	134,507	1,174
Miscellaneous	3,000	18,405	15,405
Total other revenues	137,833	157,112	19,279
Total revenues	3,273,288	3,796,184	522,896

(Continued)

## CITY OF AKUTAN

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Expenditures:			
Current:			
General government:			
Mayor and council:			
Salaries and benefits	\$ 200,000	172,601	27,399
Travel and per diem	3,000	10,184	(7,184)
Parts and supplies	-	1,359	(1,359)
Dues and fees	1,200	820	380
Contributions	10,000	3,810	6,190
Miscellaneous	5,000	-	5,000
Total mayor and council	<u>219,200</u>	<u>188,774</u>	<u>30,426</u>
Planning and zoning:			
Salaries and benefits	7,000	325	6,675
Contractual services	10,000	-	10,000
Travel and per diem	2,000	-	2,000
Parts and supplies	-	33	(33)
Insurance	500	-	500
Dues and fees	1,000	-	1,000
Legal	15,000	10,963	4,037
Miscellaneous	1,500	-	1,500
Total planning and zoning	<u>37,000</u>	<u>11,321</u>	<u>25,679</u>
Administration:			
Salaries and benefits	712,376	604,203	108,173
Contractual services	120,434	141,361	(20,927)
Outside services	1,000	5,115	(4,115)
Travel and per diem	35,000	19,033	15,967
Parts and supplies	12,000	16,357	(4,357)
Rent	45,000	38,099	6,901
Insurance	25,222	25,272	(50)
Telephone	30,000	37,742	(7,742)
Electricity	2,500	13,709	(11,209)
Dues and fees	15,000	4,120	10,880
Postage	825	1,052	(227)

(Continued)

**CITY OF AKUTAN**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Expenditures, continued:			
Administration, continued:			
Equipment	\$ 16,500	13,946	2,554
Repairs and maintenance	500	-	500
Bank fees	2,500	14,206	(11,706)
Lobbying	125,000	115,000	10,000
Fuel	500	1,856	(1,356)
Miscellaneous	13,000	22,070	(9,070)
Total administration	<u>1,157,357</u>	<u>1,073,141</u>	<u>84,216</u>
 Total general government	 <u>1,413,557</u>	 <u>1,273,236</u>	 <u>140,321</u>
 Public safety:			
Salaries and benefits	85,000	79,207	5,793
Parts and supplies	500	17	483
Rent	-	540	(540)
Insurance	3,900	936	2,964
Repairs and maintenance	500	-	500
Telephone	2,000	2,115	(115)
Electricity	1,000	17,209	(16,209)
Equipment	3,000	687	2,313
Freight	-	178	(178)
Fuel	1,200	1,264	(64)
Miscellaneous	2,000	-	2,000
Total public safety	<u>99,100</u>	<u>102,153</u>	<u>(3,053)</u>
 Community services:			
Clinic and health:			
Salaries and benefits	1,500	1,782	(282)
Parts and supplies	-	2,747	(2,747)
Insurance	2,300	2,219	81
Repairs and maintenance	5,000	-	5,000
Electricity	-	944	(944)
Fuel	-	1,062	(1,062)
Miscellaneous	1,000	135	865
Total clinic and health	<u>9,800</u>	<u>8,889</u>	<u>911</u>

(Continued)



**CITY OF AKUTAN**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Expenditures, continued:			
Library:			
Salaries and benefits	\$ 8,000	5,862	2,138
Parts and supplies	1,250	2,165	(915)
Books and subscriptions	1,200	150	1,050
Insurance	2,800	2,747	53
Telephone	500	727	(227)
Electricity	600	1,662	(1,062)
Fuel	2,500	2,154	346
Repairs and maintenance	250	-	250
Postage	300	-	300
Miscellaneous	500	-	500
Total library	<u>17,900</u>	<u>15,467</u>	<u>2,433</u>
Daycare:			
Salaries and benefits	60,000	59,614	386
Parts and supplies	3,000	2,421	579
Books and subscriptions	1,000	150	850
Insurance	3,200	872	2,328
Telephone	150	126	24
Electricity	1,500	2,072	(572)
Fuel	1,100	1,518	(418)
Repairs and maintenance	500	-	500
Postage	-	219	(219)
Miscellaneous	2,500	-	2,500
Total daycare	<u>72,950</u>	<u>66,992</u>	<u>5,958</u>
Total community services	<u>100,650</u>	<u>91,348</u>	<u>9,302</u>
Public works:			
Administration:			
Salaries and benefits	170,000	42,609	127,391
Contractual services	2,000	-	2,000
Travel and per diem	-	214	(214)
Building materials	15,000	-	15,000
Parts and supplies	23,000	30,511	(7,511)
Insurance	4,200	2,899	1,301
Postage	300	299	1
Freight	1,000	6,228	(5,228)
Electricity	200	49	151
Fuel	200	552	(352)

(Continued)

**CITY OF AKUTAN**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Administration, continued:			
Gasoline	\$ 500	25	475
Equipment	5,000	-	5,000
Repairs and maintenance	5,000	-	5,000
Dues and fees	300	-	300
Miscellaneous	15,000	1,919	13,081
Total administration	<u>241,700</u>	<u>85,305</u>	<u>156,395</u>
Cable:			
Salaries and benefits	25,000	16,340	8,660
Travel and per diem	-	200	(200)
Parts and supplies	1,500	596	904
Insurance	625	-	625
Subscriptions	18,000	19,110	(1,110)
Freight	-	1,632	(1,632)
Equipment	10,000	7,602	2,398
Fuel	-	105	(105)
Telephone	-	2,315	(2,315)
Miscellaneous	750	1,600	(850)
Total cable	<u>55,875</u>	<u>49,500</u>	<u>6,375</u>
Water and sewer:			
Salaries and benefits	53,500	34,726	18,774
Travel and per diem	2,700	3,283	(583)
Parts and supplies	19,000	12,156	6,844
Insurance	5,500	2,106	3,394
Equipment	1,000	-	1,000
Postage	-	9	(9)
Freight	1,200	288	912
Electricity	600	31,175	(30,575)
Fuel	500	760	(260)
Repairs and maintenance	500	-	500
Dues and fees	3,500	3,554	(54)
Miscellaneous	2,000	-	2,000
Total water and sewer	<u>90,000</u>	<u>88,057</u>	<u>1,943</u>
Garbage and recycling:			
Salaries and benefits	52,000	73,049	(21,049)
Outside services	-	2,500	(2,500)
Travel and per diem	-	2,840	(2,840)
Parts and supplies	27,468	2,177	25,291
Insurance	1,000	481	519
Equipment	500	-	500
Freight	500	-	500
Electricity	-	2,109	(2,109)
Fuel	200	3,700	(3,500)
Repairs and maintenance	1,000	-	1,000
Total garbage and recycling	<u>82,668</u>	<u>86,856</u>	<u>(4,188)</u>

(Continued)

**CITY OF AKUTAN**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Expenditures, continued:			
Apartment building:			
Salaries and benefits	\$ -	541	(541)
Outside services	1,500	-	1,500
Parts and supplies	5,000	337	4,663
Freight	200	143	57
Insurance	2,500	3,900	(1,400)
Fuel	100	245	(145)
Equipment	2,500	880	1,620
Repairs and maintenance	1,100	-	1,100
Miscellaneous	900	119	781
Total apartment building	<u>13,800</u>	<u>6,165</u>	<u>7,635</u>
 Total public works	 <u>484,043</u>	 <u>315,883</u>	 <u>168,160</u>
 Port authority:			
Harbor:			
Salaries and benefits	25,000	35,130	(10,130)
Contractual services	25,000	16,383	8,617
Travel and per diem	5,000	3,484	1,516
Parts and supplies	5,000	3,437	1,563
Insurance	-	17,695	(17,695)
Equipment	10,000	1,223	8,777
Repairs and maintenance	500	-	500
Dues and fees	3,000	-	3,000
Postage	-	899	(899)
Telephone	100	287	(187)
Fuel	-	233	(233)
Gasoline	-	188	(188)
Miscellaneous	134,507	795	133,712
Total harbor	<u>208,107</u>	<u>79,754</u>	<u>128,353</u>
 Skiff moorage:			
Salaries and benefits	500	-	500
Rent	-	884	(884)
Total skiff moorage	<u>500</u>	<u>884</u>	<u>(384)</u>
 Dock and warehouse:			
Salaries and benefits	23,000	16,690	6,310
Parts and supplies	10,000	13,266	(3,266)
Insurance	7,600	7,580	20
Electricity	-	24,091	(24,091)
Fuel	-	375	(375)
Gasoline	-	812	(812)
Repairs and maintenance	1,500	-	1,500
Postage	-	522	(522)
Miscellaneous	500	-	500
Total dock and warehouse	<u>42,600</u>	<u>63,336</u>	<u>(20,736)</u>

(Continued)

**CITY OF AKUTAN**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Expenditures, continued:			
Airport:			
Salaries and benefits	\$ 200,000	294,357	(94,357)
Contractual services	9,000	-	9,000
Outside services	16,500	-	16,500
Travel and per diem	-	1,200	(1,200)
Parts and supplies	3,500	15,061	(11,561)
Building materials	22,000	-	22,000
Small tools	500	-	500
Freight	-	4,163	(4,163)
Rent	15,911	15,911	-
Insurance	12,300	4,893	7,407
Telephone	15,000	9,063	5,937
Cable	2,500	-	2,500
Fuel	130,000	114,590	15,410
Gasoline	35,000	105	34,895
Electricity	-	1,424	(1,424)
Equipment	12,500	-	12,500
Repairs and maintenance	5,000	-	5,000
Dues and fees	1,000	368	632
Miscellaneous	20,000	-	20,000
Total airport	<u>500,711</u>	<u>461,135</u>	<u>39,576</u>
 Total port authority	 <u>751,918</u>	 <u>605,109</u>	 <u>146,809</u>
 Total expenditures	 <u>2,849,268</u>	 <u>2,387,729</u>	 <u>461,539</u>
 Excess of revenues over expenditures	 424,020	 1,408,455	 984,435
 Other financing sources (uses):			
Transfers out:			
Geothermal Special Revenue Fund	(50,000)	-	50,000
Boat Harbor Capital Projects Fund	-	(50,394)	(50,394)
Fuel/Gas Special Revenue Fund	-	(98,369)	(98,369)
Electric Enterprise Fund	(500,000)	-	500,000
Other Capital Projects Capital Project Fund	(75,000)	-	75,000
Dock Improvement Capital Project Fund	(50,000)	(13,015)	36,985
Water and Sewer Capital Project Fund	(25,000)	-	25,000
Total other financing sources (uses)	<u>(700,000)</u>	<u>(161,778)</u>	<u>538,222</u>
 Net change in fund balance	 <u>\$ (275,980)</u>	 1,246,677	 <u>1,522,657</u>
 Beginning fund balance, as previously stated		 <u>4,350,763</u>	
 Prior period adjustment		 (472,543)	
 Beginning fund balance, as restated		 <u>3,878,220</u>	
 Ending fund balance		 <u>\$ 5,124,897</u>	

## CITY OF AKUTAN

Permanent Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2018

	<u>Actual</u>
Revenues -	
Local - investment income	\$ <u>40,791</u>
Expenditures - current - general government -	
Current:	
General government - investment fees	<u>5,408</u>
Excess of revenues over expenditures	35,383
Beginning fund balance	<u>1,449,057</u>
Ending fund balance	\$ <u><u>1,484,440</u></u>

## CITY OF AKUTAN

Fuel/Gas Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 Year Ended June 30, 2018

	<b>Final Budgeted Amount</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
Revenues:			
Local sources - charges for services	\$ 190,000	77,283	(112,717)
Expenditures:			
Current:			
Community services:			
Salaries and benefits	62,000	64,418	(2,418)
Outside services	-	309	(309)
Repairs and maintenance	11,500	-	11,500
Contractual	-	5,600	(5,600)
Parts and supplies	3,000	6,544	(3,544)
Insurance	7,200	5,143	2,057
Utilities	1,300	920	380
Gasoline	12,000	4,714	7,286
Diesel	370,000	178,743	191,257
Freight	4,000	3,586	414
Miscellaneous	5,000	300	4,700
City fuel use	(286,000)	(94,625)	(191,375)
Total expenditures	190,000	175,652	14,348
Excess (deficiency) of revenues over expenditures	-	(98,369)	(98,369)
Other financing sources:			
Transfer in	-	98,369	98,369
Net change in fund balance	\$ -	-	-
Beginning fund balance		15,040	
Ending fund balance		\$ 15,040	

## CITY OF AKUTAN

Boat Harbor Capital Project Funds  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2018

	<u>Actual</u>
Revenues:	
Intergovernmental - State of Alaska	\$ <u>750,000</u>
Expenditures:	
Current:	
Public works:	
Contractual services	795,545
Travel and per diem	4,564
Materials and supplies	<u>285</u>
Total expenditures	<u>800,394</u>
Excess (deficiency) of revenues over expenditures	<u>(50,394)</u>
Other financing sources:	
Transfer in	<u>50,394</u>
Net change in fund balance	-
Beginning fund balance	<u>10,000</u>
Ending fund balance	\$ <u><u>10,000</u></u>

## CITY OF AKUTAN

Other Capital Projects Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2018

	<u>Actual</u>
Revenues:	
Intergovernmental:	
Federal sources	\$ 711,524
State of Alaska	505,122
Local sources - investment income	<u>2,136</u>
Total revenues	<u>1,218,782</u>
Expenditures:	
Capital outlay	<u>1,229,661</u>
Excess (deficiency) of revenues over expenditures	<u>(10,879)</u>
Other financing sources:	
Transfer in	<u>13,015</u>
Net change in fund balance	2,136
Beginning fund balance	<u>25,780</u>
Ending fund balance	<u>\$ 27,916</u>



## CITY OF AKUTAN

Other Governmental Funds  
Combining Balance Sheet  
June 30, 2018

	<u>Capital Projects Funds</u>		<b>Geothermal Development Special Revenue Fund</b>	<b>Total Other Governmental Funds</b>
	<b>Water and Sewer</b>	<b>AHFC Duplex Construction</b>		
<u>Assets</u>				
Cash and investments	\$ 96,895	24,812	197,071	318,778
Receivables:				
Grants	-	-	91,404	91,404
Total assets	<u>96,895</u>	<u>24,812</u>	<u>288,475</u>	<u>410,182</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	-	667	667
Total liabilities	<u>-</u>	<u>-</u>	<u>667</u>	<u>667</u>
Fund balances:				
Committed	<u>96,895</u>	<u>24,812</u>	<u>287,808</u>	<u>409,515</u>
Total liabilities and fund balances	\$ <u><u>96,895</u></u>	<u><u>24,812</u></u>	<u><u>288,475</u></u>	<u><u>410,182</u></u>

## CITY OF AKUTAN

## Other Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2018

	<b>Capital Project Funds</b>		<b>Geothermal Development Special Revenue Fund</b>	<b>Total Other Governmental Funds</b>
	<b>Water and Sewer</b>	<b>AHFC Duplex Construction</b>		
Revenues:				
Intergovernmental:				
Federal sources	\$ 468,831	-	-	468,831
State of Alaska	-	-	177,409	177,409
Local sources:				
Investment income	-	-	8	8
Total revenues	<u>468,831</u>	<u>-</u>	<u>177,417</u>	<u>646,248</u>
Expenditures:				
Current:				
Public works				
Salaries and benefits	763	1,804	1,572	4,139
Contractual services	-	-	170,083	170,083
Travel and per diem	-	-	53,285	53,285
Materials and supplies	1,217	37	25,240	26,494
Equipment	-	-	32,894	32,894
Miscellaneous	-	-	409	409
Capital outlay	<u>468,831</u>	<u>-</u>	<u>-</u>	<u>468,831</u>
Total expenditures	<u>470,811</u>	<u>1,841</u>	<u>283,483</u>	<u>756,135</u>
Excess (deficiency) of revenues over expenditures	<u>(1,980)</u>	<u>(1,841)</u>	<u>(106,066)</u>	<u>(109,887)</u>
Net change in fund balances	(1,980)	(1,841)	(106,066)	(109,887)
Beginning fund balances	<u>98,875</u>	<u>26,653</u>	<u>393,874</u>	<u>519,402</u>
Ending fund balances	<u>\$ 96,895</u>	<u>24,812</u>	<u>287,808</u>	<u>409,515</u>

## CITY OF AKUTAN

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal	Grant Number	CFDA	Total Grant Award	Federal Share of Expenditures
U.S. Department of Transportation:				
Passed through the State of Alaska, Department of Transportation and Public Facilities -				
Dock Improvement Project	None	20.UNKNOWN	\$ 880,773	711,524
U.S Department of Health and Human Services:				
Passed through Alaska Native Tribal Health Consortium -				
Water Dam Impoundment	AN 13-NX8	93.210	617,225	468,831
Total Federal Expenditures			\$ 1,497,998	1,180,355

See accompanying notes to the Schedule of Expenditures of Federal Awards

## **CITY OF AKUTAN**

### **Notes to Schedule of State Financial Assistance**

Year Ended June 30, 2018

#### **Note 1. Basis of Presentation**

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of City of Akutan under programs of the State of Alaska for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Akutan, it is not intended to and does not present the basic financial statements of City of Akutan.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

#### **Note 3. Subrecipients**

No State funds were passed through to subrecipients.

#### **Note 4. Major Programs**

\* Denotes a major program for compliance audit purposes.

## CITY OF AKUTAN

Schedule of State Financial Assistance  
Year Ended June 30, 2018

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expenditures</u>
<b>Department of Commerce, Community and Economic Development</b>			
* Akutan Harbor Road Project, Airport Access Project, and Akutan Harbor Facility Development Improvements	14-RR-066	\$ 3,100,000	750,000
Community Revenue Sharing	2018	99,775	99,775
* Shared Fisheries Business Tax	2018	1,090,445	1,090,445
Shared Fisheries Landing Tax	2018	4,916	4,916
<b>Total Department of Commerce, Community and Economic Development</b>		<u>4,295,136</u>	<u>1,945,136</u>
<b>Alaska Energy Authority</b>			
* Akutan Geothermal Development Project	7040050	<u>2,695,000</u>	<u>177,409</u>
<b>Department of Transportation</b>			
* Dock Improvement Project	N/A	<u>614,047</u>	<u>505,122</u>
<b>Department of Revenue</b>			
* Fisheries Business Tax Sharing	2018	<u>268,504</u>	<u>268,504</u>
<b>Department of Administration</b>			
PERS Employer On-Behalf	2018	<u>30,362</u>	<u>30,362</u>
<b>Total State Financial Assistance</b>		<u>\$ 7,903,049</u>	<u>2,926,533</u>

See accompanying notes to the Schedule of State Financial Assistance.

## **CITY OF AKUTAN**

### **Notes to Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2018

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Akutan under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of City of Akutan, it is not intended to and does not present the basic financial statements of City of Akutan.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. City of Akutan has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

#### **Note 3. Passed Through Awards**

No amounts were passed through to subrecipients.

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# **COMPLIANCE REPORTS**



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Independent Auditor's Report**

Members of the City Council  
City of Akutan, Alaska  
Akutan, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Akutan, Alaska's basic financial statements, and have issued our report thereon dated March 11, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Akutan, Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Akutan, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Akutan, Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Federal Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Federal Schedule of Findings and Questioned Costs, as Finding 2018-002 to be a material weakness.

Members of the City Council  
City of Akutan, Alaska

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Federal Schedule of Findings and Questioned Costs, as Finding 2018-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Akutan, Alaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Akutan's Response to Findings**

The City of Akutan's response to the findings identified in our audit are described in the accompanying Schedules of Findings and Questioned Costs and Corrective Action Plan. The City of Akutan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Akutan, Alaska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
March 11, 2019

**Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance as Required by the *Uniform Guidance***

**Independent Auditor's Report**

Members of the City Council  
City of Akutan, Alaska  
Akutan, Alaska

**Report on Compliance for Each Major Federal Program**

We have audited City of Akutan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Akutan's major federal programs for the year ended June 30, 2018. City of Akutan's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Akutan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Akutan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Akutan's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, City of Akutan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of City of Akutan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Akutan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Akutan's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska  
March 11, 2019

# CITY OF AKUTAN

## Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report?

\_\_\_\_ Yes X No

Internal control over financial reporting:

Material weakness(es) identified?

X Yes \_\_\_\_ No

Significant deficiency(ies) identified?

X Yes \_\_\_\_ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_ Yes X No

#### Federal Awards

Internal control over major federal programs (2CFR 200.516 (a)(1)):

Material weakness(es) identified?

\_\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_\_ Yes X None Reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?

\_\_\_\_ Yes X No

Type of auditor's report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)(3) or (4)?

\_\_\_\_ Yes X No

Identification of major programs:

CFDA Number(s)

20.UNKNOWN

Name of Federal Program or Cluster

Boat Dock Improvement Project

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_ Yes X No

## CITY OF AKUTAN

### Federal Schedule of Findings and Questioned Costs, Continued

#### ***Section II - Financial Statement Findings***

##### **Finding 2018-001**

##### **Significant Deficiency**

##### **Internal Control Over Payroll**

<b>Condition:</b>	During our testwork over payroll it was noted that one employee was paid their salary at their fiscal year 2017 pay rate and not at their approved 2018 fiscal year pay rate.
<b>Criteria:</b>	Salary should be paid at the approved rate for all employees.
<b>Context:</b>	We tested 40 transactions and noted one instance where the employee was being paid based on their fiscal year 2017 pay rate.
<b>Cause:</b>	Lack of internal control over payroll.
<b>Effect:</b>	Lack of adequate internal controls over payroll can materially misstate expenditures.
<b>Recommendation:</b>	We recommend that the employee will be reimbursed for wages that were earned in FY18
<b>Management's Response:</b>	Management concurs with finding. See corrective action plan.

##### **Finding 2018-002**

##### **Material Weakness**

##### **Prior Period Adjustment**

<b>Condition:</b>	During the audit, the determination was made that the City's investment in Southwest Governments, LLC, accounted for using the equity method, did not meet the criteria for recognition in the fund financial statements and required a restatement of fund balance as of the beginning of the City's fiscal year.
<b>Criteria:</b>	GASB Statement 62 establishes criteria for determining whether investments accounted for using the equity method should be reported in the Fund Financial Statements or only in the Government-Wide Financial Statements.
<b>Context:</b>	A reduction of fund balance, as of the beginning of the year, in the amount of \$472,543.
<b>Cause:</b>	Lack of understanding of GASB statements.

## CITY OF AKUTAN

### Federal Schedule of Findings and Questioned Costs, Continued

**Effect:** The Fund Financial Statements were materially misstated and required a restatement of fund balance as of the beginning of the fiscal year.

**Recommendation:** We recommend that the City follows all applicable financial reporting requirements.

**Management's Response:** Management concurs with finding. See corrective action plan.

#### ***Section III - Federal Award Findings and Questioned Costs***

The City of Akutan did not have any findings related to the federal awards.

**Report on Compliance For Each Major State Program and on Internal Control over Compliance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits**

**Independent Auditor's Report**

Members of the City Council  
City of Akutan  
Akutan, Alaska

**Report on Compliance for Each Major State Program**

We have audited City of Akutan's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Akutan's major state programs for the year ended June 30, 2018. City of Akutan's major state programs are identified in the accompanying Schedule of State Financial Assistance.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Akutan's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Akutan, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Akutan, Alaska's compliance.

**Opinion on Each Major State Program**

In our opinion, the City of Akutan, Alaska, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018.



Members of the City Council  
City of Akutan, Alaska

## Report on Internal Control over Compliance

Management of the City of Akutan, Alaska, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Akutan, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Akutan, Alaska's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska  
March 11, 2019

## CITY OF AKUTAN

### State Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

#### **Section I – Summary of Auditor's Results**

##### Financial Statements

Type of auditor's report issued:

Unmodified

Is going concern emphasis-of-matter paragraph included  
in the audit report?

\_\_\_\_ Yes X No

Internal control over financial reporting:

Material weakness(es) identified?

X Yes \_\_\_\_ No

Significant deficiency(ies) identified?

X Yes \_\_\_\_ None noted

Noncompliance material to financial statements noted?

\_\_\_\_ Yes X No

##### State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance  
for major programs:

Unmodified

Dollar threshold used to distinguish  
a state major program:

\$ 150,000

#### **Section II – Financial Statement Findings**

See Federal Schedule of Findings and Questioned costs for Financial Statement Findings.

#### **Section III – State Award Findings and Questioned Costs**

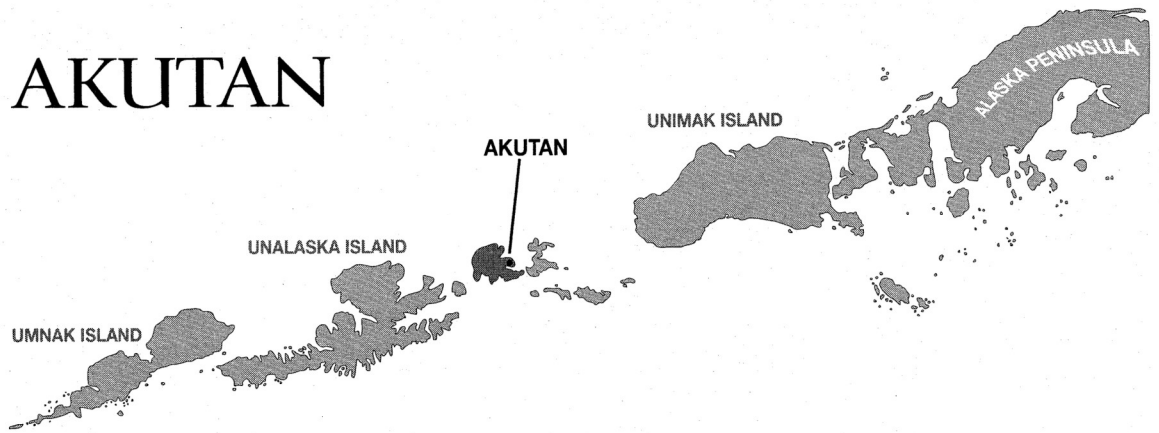
The City did not have any findings or questioned costs related to State awards.

# CITY OF AKUTAN

Anchorage Office

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## Summary of Prior Audit Findings

June 30, 2018

### Financial Statement Findings

#### Finding 2017-001

#### Internal Control Over Capital Assets

##### **Material Weakness**

##### **Condition:**

During the year management determined that project costs incurred by Alaska Native Tribal Health Consortium (ANTHC) on behalf of the City were not recorded as constructions in progress in fiscal year 2016.

##### **Status:**

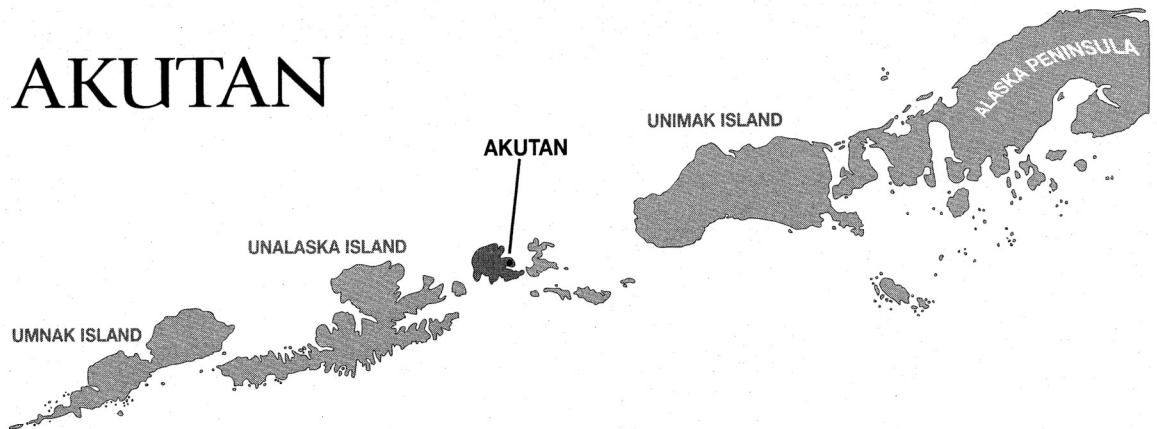
March 31, 2018

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## Corrective Action Plan

June 30, 2018

### Financial Statement Findings

#### Finding 2018-001

#### Internal Control Over Payroll

**Name of Contact:** Bobby Jo Kramer, Finance Director

**Corrective Action Plan:** Internal controls have been established to ensure all COLA and pay adjustments will agree with an employee's current PAR. The employee mentioned in the finding was reimbursed their wages in FY2018.

**Proposed Completion Date:** October 31, 2018.

#### Finding 2018-002

#### Prior Period Adjustment

**Name of Contact:** Bobby Jo Kramer, Finance Director

**Corrective Action Plan:** GASB Statement 62 was implemented for periods beginning after December 15, 2011, which was under the previous finance director and auditor. The financial statements have been adjusted to comply with GASB Statement 62.

**Proposed Completion Date:** February 28, 2019